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**From:**

**Sent:** Friday, April 10, 2009 3:45 PM

**To:**

**Subject:** RE: CIACs

A contribution in aid of construction under §118(c) only applies to water and sewerage disposal utilities. We refer to a §118(c) as a good CIAC because it is treated a contribution to the capital of the taxpayer under §118(a). On its face, §118(b) is not limited to other utilities. However, we view §118(b) as only applying to utilities. We call §118(b) the bad CIAC. For retail space, we only would apply the case law under §118(a) to determine whether the payment is a contribution to the capital of the taxpayer.